

FISCAL NOTE

SB 1136 - HB 1243

February 14, 2007

SUMMARY OF BILL: Prohibits the Tennessee Education Lottery Corporation (TELC) from directly promoting, marketing, or advertising the lottery and its games.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – TELC advertising expenditures would decrease approximately \$14,100,000 per year. However, net lottery proceeds are estimated to decrease by an amount exceeding \$25,000,000 per year. This would result in fewer scholarships being awarded to eligible recipients.

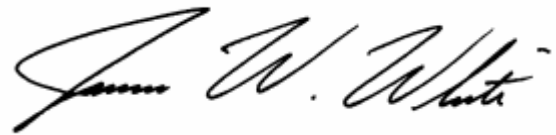
Assumptions:

- The TELC spent approximately \$14,100,000 for advertising in FY05-06.
- The recurring decrease to TELC advertising expenditures is estimated to be \$14,100,000 per year.
- According to the TELC, they have not conducted a detailed analysis of the impact of advertising on lottery ticket sales, but believe there to be a strong and direct correlation between the two based on studies conducted by other lotteries.
- According to the TELC, the impact of \$1 spent on advertising varies from study to study, but they suggest (based on these other studies) that approximately \$11 in ticket sales is generated from every \$1 spent on advertising.
- A minimum seven-to-one (7:1) ratio of net ticket sales for each advertising dollar expended.
- Net ticket sales generated from advertising expenditures is estimated to be \$98,700,000 (\$14,100,000 in advertising X \$7 sales ratio = \$98,700,000). This would represent approximately 9.8% of total net ticket sales.

- Approximately 27% of net ticket sales are returned to the state as net lottery proceeds. This is the portion that would be dedicated to higher education scholarships.
- The decrease to net lottery proceeds is estimated to exceed \$25,000,000 per year ($\$98,700,000 \times 27\% \text{ return} = \$26,649,000$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director